Multifamily Housing Development Evaluation
for
Transit Oriented Development Catalyst Projects

in
Plaza Saltillo TOD
Lamar Blvd./ Justin Ln. TOD

May 2010

Poss Consulting

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Executive Summary

As part of the adoption process for the first three transit-oriented development ("TOD") Station Area Plans, City Council directed staff of Neighborhood Housing and Community Development Office ("NHCD") at the third reading on December 11, 2008 to evaluate affordable housing opportunities on City-owned land within the TODs. NHCD secured an independent consultant to prepare illustrative scenarios for sites within the Plaza Saltillo TOD and Lamar Blvd./Justin Ln. TOD for multifamily, mixed-income housing development that would serve as a catalyst for other development in the TOD areas. No City-owned lands are within the MLK TOD area.

The results of the development evaluation vary widely but at both sites will require an investment of City funds as well as funds for affordable housing through the Austin Housing Finance Corporation ("AFHC"). Prioritizing elements such as density, client served, levels of affordability to be achieved, and rental or homeownership housing, among others, affects total project costs and the investment commitment needed from the City. Intangibles such as perceived impacts on surrounding neighborhoods, briefly discussed in the scope of this report, will undoubtedly factor into the decision-making process.

Illustrative development evaluations for each site have been presented in some detail in this report, with a summary of the analysis provided in the Conclusions. Development of affordable housing on these City-owned sites would require significant funding from several City departments. Further study, community discussions, identification of additional public and private funding sources, and relocation of existing city services must occur before moving forward with any development plans on city-owned sites within the TODs.

Project Overview

NHCD requested a multifamily housing development analysis be conducted by Poss Consulting for sites within the Lamar Blvd./Justin Ln. and Plaza Saltillo TODs. In each development scenario, the following issues were to be considered:

- Rental and homeownership opportunities;
- Number of affordable units;
- Levels of affordability;
- Necessary investment by the City and AHFC;
- Return of investment to the City and AHFC;
- Probability of securing the additional financial sources required for development;
- Parkland dedication; and
- Ramifications for the community, both positive benefits and drawbacks.

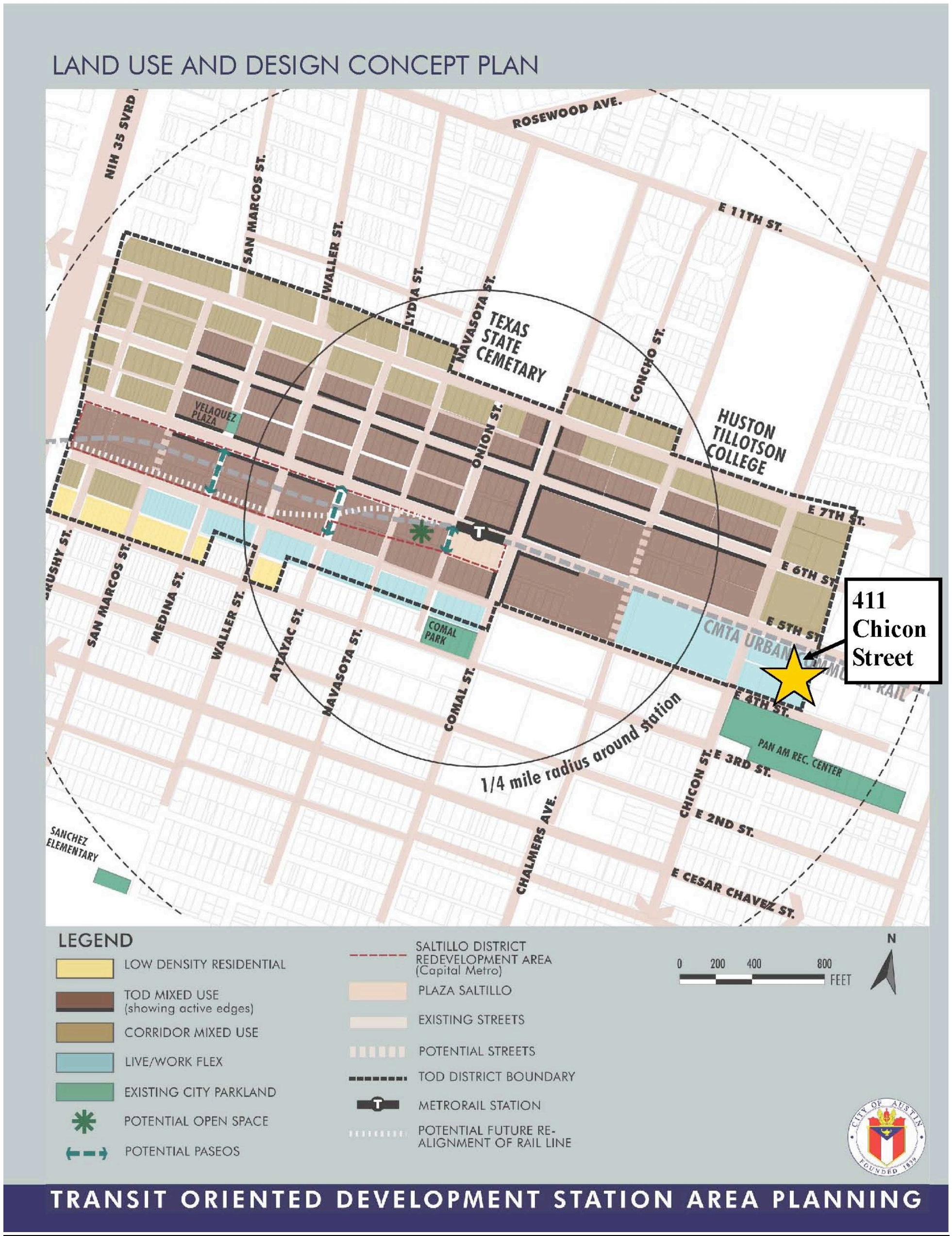
The paramount goal in all scenarios was to achieve as much affordability as possible in the developments within the constraints provided by NHCD as well as City development standards. Elements that apply to all scenarios include:

- AHFC or its affiliate retain ownership of the land, it is not transferred to a private developer or owner;
- Developments would comply with adopted TOD zoning and design regulations;
- TOD affordability goals are met with at least 25% of units serving residents earning at or below 50% of median family income ("MFI") in the Plaza Saltillo TOD and 60% MFI in the Lamar Blvd./Justin Ln. TOD;
- Developments include retail space;
- Demolition of existing structures and new street construction are required and an estimate of cost included;
- Reserves space for parkland in accordance with the Parkland Dedication Ordinance, no fee-in-lieu of dedication;
- City services are currently active on both sites and will need to be relocated;
- No timeline for lease or sales has been prepared though it is expected to be a minimum of three years.

The analysis is based on financing tools currently available. For the purposes of this report, multifamily rental developments utilize Low Income Housing Tax Credits ("LIHTC") and HUD 221(d)(4) loans as financing mechanisms. Condominium ownership scenarios utilize a Community Land Trust ("CLT") ownership model and Down Payment Assistance ("DPA") for secondary financing.

Plaza Saltillo TOD

411 Chicon St. ("Chicon") in east Austin is a 5.18 acre tract at the southeast corner of Chicon St. and 5th St. The site is within the Plaza Saltillo TOD, just over ¼ mile from the Plaza Saltillo Metrorail Station and has both TOD and CS-MU zoning.



The site is currently used as Building Services headquarters, warehouse, mailroom and vehicle parking, an EMS demand station and APD forensic storage. It is adjacent to Pan America Recreation Center and near Zavalla Elementary School, an "academically acceptable" school. The location is in a "high opportunity" area.

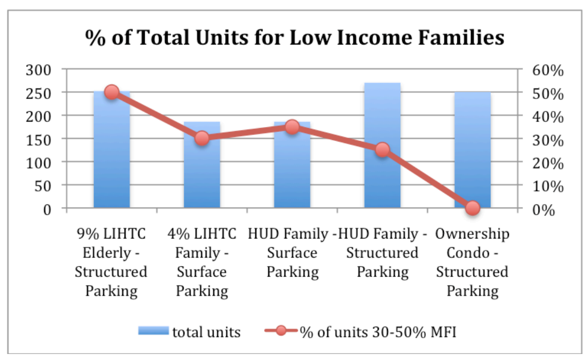
Development Scenarios

Five development scenarios are presented for the Plaza Saltillo site:

- Rental:
    - Elderly development with structured parking (9% LIHTC, an annual competitive process administered by the Texas Department of Housing and Community Affairs or "TDHCA");
    - Family development with surface parking (4% LIHTC, a non-competitive process administered by TDHCA);
    - Family development with structured parking (HUD 221(d)(4) financing);
    - Family development with surface parking (HUD 221(d)(4) financing); and
- Ownership: Family development with structured parking (CLT/DPA financing).

A 9% LIHTC development for families at this site would not be competitive for tax credit financing as another 9% LIHTC financed family development, Villas on 6th St., already exists in the same census tract as the site. A 9% LIHTC elderly development, however, would be competitive because no tax credit developments for this population currently exist in the census tract. The elderly development presented below has 76% one bedroom units and 24% two bedrooms units. Each of the family developments have roughly 30% one bedroom, 40% two bedroom and 30% three bedroom units.

Affordability Analysis



An elderly 9% LIHTC development provides the most potential for both a high percentage of affordable units and deep affordability with 127 (50%) of all units at or below 50% MFI. This development is compared to each of the family developments in the chart to the right, with more detail in the following table. The units in all rental developments would remain affordable for at least 50 years, ownership developments for 99 years.

Table 1.

Population Served	9% LIHTC Elderly		4% LIHTC Family		221(d)(4) Family				Homeowner Condo	
	Structured Parking		Surface Parking		Surface Parking		Structured Parking		Structured Parking	
	#	%	#	%	#	%	#	%	#	%
30% MFI	38	15%	19	10%	28	15%	27	10%	0	0%
50% MFI	89	35%	37	20%	37	20%	41	15%	0	0%
60% MFI	73	29%	94	51%	38	20%	40	15%	63	25%
80% MFI	26	10%	18	10%	46	25%	81	30%	0	0%
100% MFI	0	0%	0	0%	0	0%	0	0%	93	37%
115% MFI	0	0%	0	0%	0	0%	0	0%	94	38%
Total Rent Restricted Units	226	90%	168	90%	149	80%	189	70%	250	25%
Unrestricted Units	26	10%	18	10%	37	20%	81	30%	0	0%
Total Units	252		186		186		270		250	

For a homeownership development, no units would be available for families earning at or below 50% MFI. Units would be priced from $209,000 to $275,000 and sold to families earning between 60% and 115% of MFI, or roughly $44,000 to $84,000 of income per year for a family of four. All developments presented meet TOD affordable housing goals.

Investment by the City

Each development requires an estimated $13.0 million of financial investment from the City for:

- Demolition: estimated $510,000 for the demolition of existing structures at the site.
- Infrastructure: estimated $120,000 for constructing streets on at the site. No funds have been included for water and wastewater upgrades. Austin Water Utility Department believes that there should be adequate capacity in existing water and wastewater lines to serve a new multifamily development at the site. However, due to the age of water systems in this area, they recommend field fire flow tests be conducted to confirm that the system can meet the proposed demands. If replacing lines becomes necessary the cost is estimated at roughly $500,000.
- Parks: estimated $618,000 plus $30,250 annually for maintenance. Depending upon the size of the development, between 1.6 and 2.3 acres of land will be dedicated for parkland in accordance with the Parkland Dedication Ordinance.
- Relocation: $11.8 million for the acquisition of a new site and relocation of services currently at 411 Chicon.

Investment by AHFC

In addition to the $13 million of City investment, which remain constant across all development scenarios, an additional $2.0 million to $5.7 million of funds from AHFC will be necessary to develop multifamily housing at the site. The investments from AHFC vary widely in part from differences in the size of the proposed developments and unique costs of particular financing mechanisms. The type of parking used is also a factor as structured parking is significantly more costly to construct than surface parking, representing over $1.0 million in development budget disparity between projects with surface parking and structured parking.

Both an elderly 9% LIHTC development and a family HUD 221(d)(4) development with surface parking require $2.0 million AHFC investments, the least amount of all of the development scenarios. However, because the elderly development provides the most units to families earning 50% MFI or less, AHFC investment is only $16,000 per very-low-income unit, half the per-unit investment of the HUD financed development. All other developments require not only more total investment from AHFC but also more investment per very-low-income unit.

Table 2.

Rental Development Financing Sources ($ in millions)	**9% LIHTC Elderly**	**4% LIHTC Family**	**221(d)(4) Family**	
	Structured Parking	**Surface Parking**	**Surface Parking**	**Structured Parking**
Senior Debt	$10.4	$11.6	$15.1	$25.5
LIHTC Equity	$13.6	$5.6	NA	NA
City Waivers/Rebates	$0.2	$0.1	$0.1	$0.2
Deferred Developer Fee	$1.2	$0.9	$0.0	$0.0
Investor Equity	NA	NA	$1.3	$2.1
AHFC	$2.0	$3.1	$2.0	$3.1
Total Sources	$27.3	$21.4	$18.5	$30.9

For a homeownership development, AHFC's investment would rise significantly to an estimated $5.7 million of down payment assistance to reach TOD affordable housing goals for ownership, at least 25% of units available to families earning at or less than 60% MFI. This assumes that the City underwrites the development.

Return on AHFC Investment

In all scenarios explored, except the homeownership development, AHFC's investment would be in the form a loan to the project and would be fully repaid. These returned funds provide cash flow to "recycle" into future affordable housing developments. The elderly 9% LIHTC development illustrated provides AHFC a 16.6% return, higher than all the other scenarios. Returns come not only from interest charged on the loans but also ground lease fees to AHFC, rents collected from retail sales space and a participation in operating cash flow through an ownership stake in the developments. The homeownership development, while requiring the highest investment from the City and AHFC, provides no return of capital.

Investment return to AHFC:

- 16.6% return – elderly 9% LIHTC;
- 12.7% return – family HUD 221(d)(4) with surface parking;
- 12.2% return – family 4% LIHTC;
- 11.8% return – family HUD 221(d)(4) with structured parking; and
- 0% return – homeownership.

For comparable evaluation purposes, AHFC's participation in cash flow has been limited to a maximum of 30% and does not include proceeds from any potential sale of the development. In the case of a LIHTC development, AHFC participation (and therefore investment return) could be higher. Cash flow participation in the HUD 221(d)(4) scenarios have been projected at a 15% ownership stake to allow for an attractive return to a private equity partner.

Density

The density of housing units in the various development scenarios ranges between 38 units and 55 units per acre:

- 55 units/acre – rental family HUD 221(d)(4) development (structured parking)
- 51 units/acre – rental elderly 9% LIHTC development (structured parking)
- 51 units/acre – ownership family development (structured parking)
- 38 units/acre – rental family HUD 221(d)(4) development (surface parking)
- 38 units/acre – rental family 4% LIHTC (surface parking)

The variance of density is determined primarily by the difference between the amount of land required to construct a surface parking lot versus a structured parking garage. The remaining land in each case determines the number of units that can be constructed within the height limits allowable.

Probability of Securing Additional Financing Sources

9% LIHTC - Elderly: An application would appear to be competitive for securing tax credit financing, with scoring comparable to those developments in Austin which received LIHTC awards in 2009, Diana McIver & Associates for Wildflower Terrace at Mueller and Foundation Communities for M Station in the MLK TOD. Success in securing 9% LIHTC financing will be highly dependent upon the competitiveness of other applicants seeking LIHTC financing the same year. There is a high probability of securing all other sources of financing; the assumptions regarding financing terms are conservative compared to other developments that have secured such financing.

4% LIHTC – Family: Since it is not a competitive process, an award of tax credit financing in this scenario has a higher probability than a 9% LIHTC development. There is also a high probability that funding would be available from the State of Texas, as 4% LIHTC funds have historically been underutilized due to their financial infeasibility for most projects. Tax credit investors/syndicators may be more difficult to secure, however equity pricing in the scenario is conservative enough that interest is expected. The probability of funding is high.

HUD 221(d)(4) - Family: These developments would require an additional \$1.3 to \$2.1 million of equity from a third party equity investor with an 18% to 19% IRR projected. There has been much less activity from private real estate investors recently due to economic factors pushing investors away from real estate. However, these developments provide a high enough return on capital to expect interest. Debt providers have also become more conservative with their funds, but a HUD insured loan may offset this potential problem. Overall, probability of securing these financing sources is anticipated to be moderate to high.

CLT/DPA: Beyond the funding from the City and AHFC for the development, it will be necessary for families to secure approximately \$34 million of mortgages for the portion of the purchase price that is not financed with AHFC down payment assistance. Historically these mortgages have been challenging to arrange. There are a limited number of banks lending on properties where the land is owned by a Community Land Trust, instead of the borrower, and does not secure the bank's loan. Most banks have not had enough loan requests to provide the bank a scale that merits designing a loan product specifically for mortgages with a CLT component. Probability of securing financing for a CLT/DPA project is unknown, though partnering with a specific bank(s) for the entire project may ease the process. Another option is to partner with other entities engaged in creating CLTs to build a scale that may interest banks.

Parkland Dedication

Parkland dedicated in each of these scenarios depends entirely upon the number of units developed; no fee in lieu of parkland has been considered. A rental HUD 221(d)(4) family development provides the highest amount of parkland:

- 2.3 acres – rental family HUD 221(d)(4) with structured parking;
- 2.1 acres – rental elderly 9% LIHTC with surface parking;
- 2.1 acres – homeownership family with structured parking;
- 1.6 acres – rental family HUD 221(d)(4) with surface parking; and
- 1.6 acres – rental family 4% LIHTC with surface parking

Impact on the Community

Positive ramifications:

- Community services would be provided for any rental development evaluated here.
- Parkland will be dedicated at the site. 411 Chicon St. is directly across 4th St. from the A. B. Cantu/Pan Am Recreation Center. This 5.3 acre park includes a recreation center, baseball field, playground, wading pool, basketball courts, tennis courts and picnic tables. Though the Plaza Saltillo TOD development scenarios assume the full amount of open space required is dedicated as parkland, the proximity of Pan Am park may make reducing open space at the site and increasing housing units a desirable option.
- E. 5th Street, where the Chicon development would be located, is occupied by a large percentage of warehouses and other buildings with light industrial use. These businesses limit the amount of affordable housing currently offered in a neighborhood with such proximity to employment opportunities.

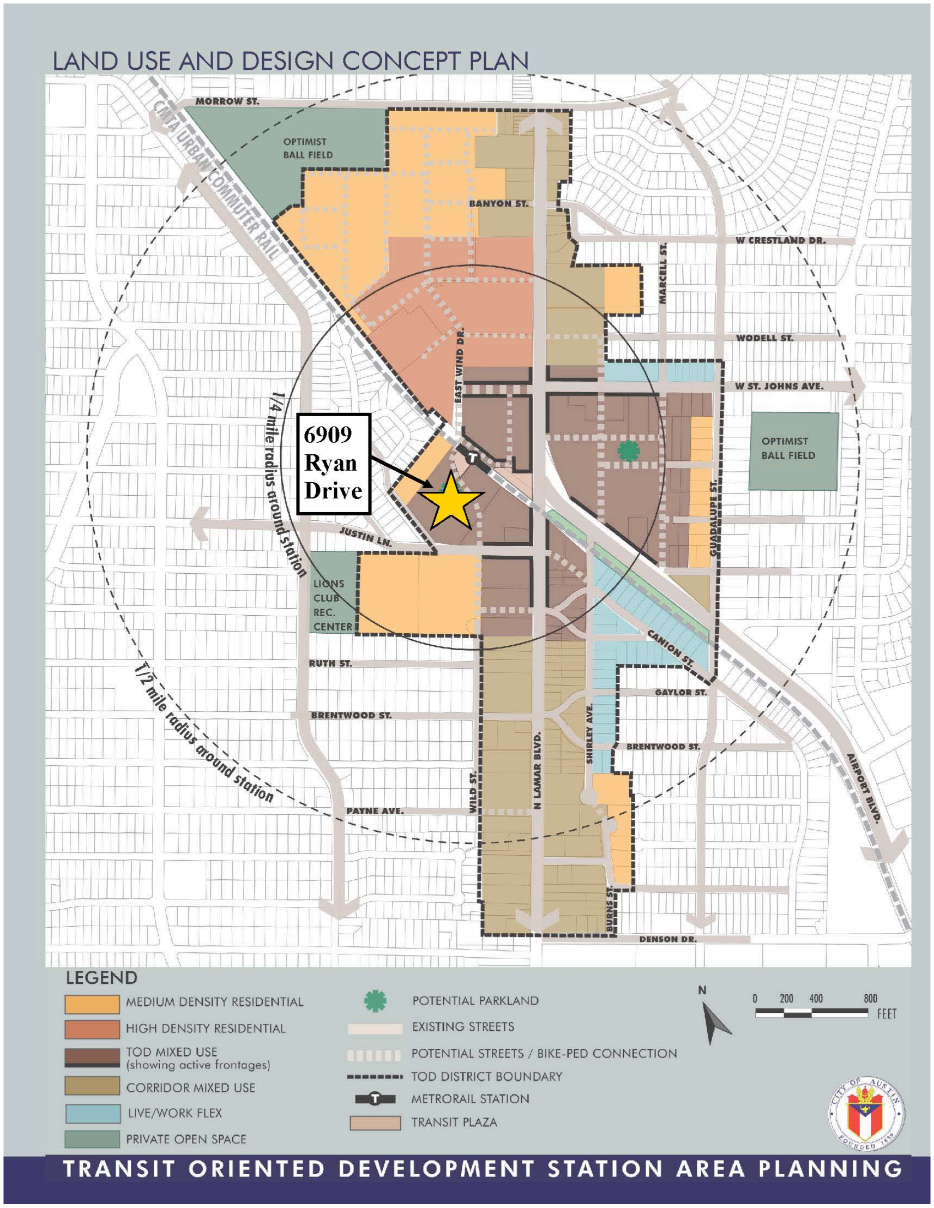
- A new development in the Plaza Saltillo TOD supports the revitalization that is already occurring in other parts of east Austin, specifically the 11th and 12th St. revitalization projects, recent condominium, commercial and retail development in east Austin and the general purpose of the TOD creation.

Potential difficulties:

- The site is within the boundaries of several neighborhood associations. While east Austin neighborhood associations historically have been supportive of creating more affordable housing in the community it is not clear whether this support is limited to family developments or would include elderly. Neighborhood association support for a competitive 9% LIHTC application is critical. Neighborhood support is less assured with either a rental HUD 221(d)(4) or an ownership development with a smaller component serving a very-low-income population.
- Promoting the elimination of light industrial use along the 5th Street corridor may push some local businesses further outside of the Austin core.

Lamar Blvd./Justin Ln. TOD

6909 Ryan Dr. ("Ryan") in north Austin is a 5.475 acre tract just west of the intersection at Airport Blvd. and N. Lamar Blvd. The site is accessible by Justin Ln. and Ryan Dr., is adjacent to the Crestview Metrorail Station in the Lamar Blvd./Justin Ln. TOD and the site has TOD zoning.



Currently in use by Austin Energy for a warehouse and equipment lay down yard, the site would have to be purchased from Austin Energy. A 2009 appraisal indicates a value of $3.4 million, raising the amount of financing required for all developments compared to the Plaza Saltillo TOD scenarios. A development would be near Brentwood Elementary School, an "academically recognized" school, and in a "very high opportunity" area. The site is adjacent to the new Midtown Commons mixed-use development.

Development Scenarios

Five development scenarios are presented for the Lamar Blvd./Justin Ln. site:

- Rental:
  - Elderly development with structured parking (9% LIHTC financing);
  - Family development with surface parking (9% LIHTC financing);
  - Family development with structured parking (HUD 221(d)(4) financing);
  - Family development with surface parking (HUD 221(d)(4) financing); and
- Ownership: Family development with structured parking (CLT/DPA financing).

A 4% LIHTC project is not financially feasible and is eliminated from the scenarios. Though a family development would be competitive for tax credit financing, with no other 9% LIHTC family developments in the same census tract as the site, an elderly 9% LIHTC has been included as it would create more affordable units. The elderly development makes use of structured parking but such construction is not feasible for a 9% LIHTC family development due to limitations of TDHCA competitive process. Each of the family scenarios have roughly 30% one bedroom units, 40% two bedrooms and 30% three bedrooms; the elderly development has 76% one bedroom and 24% two bedrooms.

Affordability Analysis

While TOD affordable housing goals for Plaza Saltillo were 25% of units affordable to families earning at or below 50% MFI, the Lamar Blvd./Justin Ln. goals are less restrictive with 25% of units affordable to families earning at or below 60% MFI.

An elderly 9% LIHTC development provides the most potential for both a high percentage of affordable units and deep affordability with 200 (80%) of all units available to families earning at or below 60% MFI. While the 9% LIHTC family development provides the same total percentage of its units to families at those income levels, due to the smaller development size possible with surface parking the number of units (154) available at deeper affordability is significantly lower than the elderly development. Both HUD 221(d)(4) scenarios provide many fewer units to this income population.

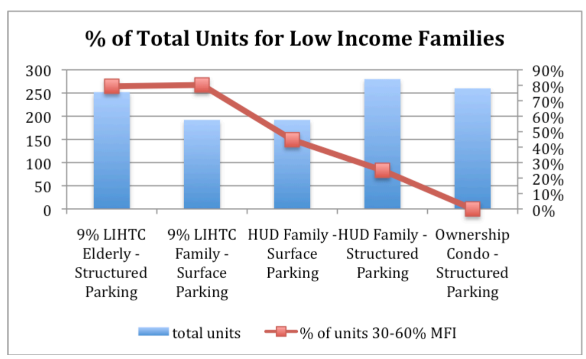


Table 3.

Population Served	9% LIHTC Elderly		9% LIHTC Family		HUD 221(d)(4) Family				CLT/DPA (Owners)	
	Structured Parking		Surface Parking		Surface Parking		Structured Parking		Structured Parking	
	#	%	#	%	#	%	#	%	#	%
30% MFI	26	10%	29	15%	20	10%	28	10%	0	0%
50% MFI	101	40%	67	35%	29	15%	28	10%	0	0%
60% MFI	73	29%	58	30%	37	19%	14	5%	0	0%
80% MFI	26	10%	19	10%	48	25%	112	40%	65	25%
100% MFI	0	0%	0	0%	0	0%	0	0%	98	38%
115% MFI	0	0%	0	0%	0	0%	0	0%	97	37%
Rent Restricted Units	226	90%	173	90%	134	70%	182	65%	260	100%
Unrestricted Units	26	10%	19	10%	58	30%	98	35%	0	0%
Total Units	252		192		192		280		260	

In the homeownership development no units would be available for families earning at or below 60% MFI. Units would be priced from $171,000 to $225,000 and sold to families earning between 80% and 115% MFI, or roughly $59,000 to $84,000 of income per year for a family of four. This meets the TOD affordability goal for homeownership developments.

Investment by the City

Each development scenario presented requires an estimated $7.7 million of financial investment (plus an unknown cost of acquiring a new site for AE services relocation) from the City for:

- Demolition: estimated $540,000 for the demolition of existing structures.
- Infrastructure: estimated $580,000. Infrastructure improvements include $180,000 for constructing streets on at the site. Another $400,000 is necessary to increase the capacity of water and wastewater available to service a new multifamily development.
- Parks: estimated $618,000 plus $30,250 annually for maintenance. Depending upon the size of the development, between 1.6 and 2.3 acres of land will be dedicated for parkland in accordance with the Parkland Dedication Ordinance.
- Relocation: $6.0 million for the relocation of services currently at the site.

This investment does not include the cost of acquiring a new site for services relocation, so the total investment by the City ultimately would be much higher than $7.7 million.

Investment by AHFC

In addition to the $7.7 million (plus new site acquisition) of City investment, which remains constant across all development scenarios, AHFC would purchase the land at an estimated cost of

$3.4 million based on the 2009 appraisal. While some developments require no further capital from AHFC, others need an additional investment of up to $1.6 million to develop multifamily housing at the site. The investments from AHFC vary so widely in part from differences in the size of the proposed developments and unique costs of particular financing mechanisms. The type of parking used is also a factor as structured parking is significantly more costly to construct than surface parking, representing over $1.0 million in development budget disparity between projects with surface parking and structured parking.

The two scenarios with surface parking require no investment from AHFC beyond the land purchase. Of the developments with structured parking, the HUD 221(d)(4) family development requires the least additional investment. The 9% LIHTC elderly development, however, only requires $22,000 of AHFC capital for every unit at or below 60% MFI while the HUD 221(d)(4) development requires more than twice that at $55,000 per unit due to fewer units reaching those deeper income levels.

Table 4.

Rental Development Financing Sources ($ in millions)	**9% LIHTC Elderly**	**9% LIHTC Family**	**HUD 221(d)(4) Family**	
	Structured Parking	**Surface Parking**	**Surface Parking**	**Structured Parking**
Senior Debt	$10.7	$8.7	$17.5	$29.0
LIHTC Equity	$13.6	$12.8	NA	NA
City Waivers/Rebates	$0.2	$0.1	$0.1	$0.2
Deferred Developer Fee	$1.2	$1.0	$0.0	$0.0
Investor Equity	NA	NA	$1.6	$2.5
AHFC – Land	$3.4	$3.4	$3.4	$3.4
AHFC - GOB, Home, etc	$1.1	$0.0	$0.0	$0.5
Total Sources	$30.1	$26.1	$22.6	$35.6

For a homeownership development AHFC's total investment would be $5.0 of which $1.6 million is down payment assistance to reach TOD affordable housing goals for ownership. This assumes that the City underwrites the development.

Return on Investment to AHFC

In all scenarios explored except the homeownership development AHFC's investment beyond the $3.4 million for land purchase would be in the form a loan to the project and would be fully repaid. These returned funds provide cash flow to "recycle" into future affordable housing developments. The land purchase is not currently structured as a loan and the funds are not repaid to AHFC though in some cases the development could support such repayment.

The family HUD 221(d)(4) development with structured parking provides an 8.5% return on AHFC's investment of $3.9 million and the largest amount of ongoing cashflow to support future affordable housing opportunities. The homeownership development, while requiring the highest investment from the City and AHFC, provides no return of capital.

Investment return to AHFC:

- 8.5% return – family HUD 221(d)(4) with structured parking;
- 5.6% return – family HUD 221(d)(4) with surface parking;
- 5.1% return – family 9% LIHTC;
- 4.8% return – elderly 9% LIHTC; and
- 0% return – homeownership.

For comparable evaluation purposes, AHFC's participation in cash flow has been limited to a maximum of 30% and does not include proceeds from any sale of the development. In the case of a LIHTC development, City/AHFC participation (and therefore investment return) could be higher. Cash flow participation in a HUD 221(d)(4) development is unlikely to be higher than 30% (and could be lower) to allow for an attractive return to a private equity partner.

Density

The density of housing units in the various development scenarios ranges between 38 units and 55 units per acre:

- 55 units/acre – rental family HUD 221(d)(4) development (structured parking)
- 51 units/acre – ownership family development (structured parking)
- 50 units/acre – rental elderly 9% LIHTC development (structured parking)
- 38 units/acre – rental family HUD 221(d)(4) development (surface parking)
- 38 units/acre – rental family 9% LIHTC (surface parking)

The variance of density in these scenarios is due to a higher unit count possible when structured parking is utilized. The first three development scenarios bulleted above each make use of structured parking. Density is further restricted by two factors of tax credit financing. As mentioned previously, TDHCA limits tax credit developments to a maximum size of 252 units. Additionally, structured parking is not feasible for a 9% LIHTC family development due to limitations of TDHCA competitive process. The density of the homeownership scenario is lower than the HUD development because the ownership units are slightly larger than all the rental development units.

Probability of Securing Additional Financing Sources

9% LIHTC: An application for either a family or elderly development would appear to be competitive for securing tax credit financing, with scoring comparable to those developments in Austin which were awarded tax credits from TDHCA in 2009. Success in securing this financing will be highly dependent upon the competitive position of other applicants seeking LIHTC financing the same year. There is a high probability of securing all other sources of financing; the assumptions regarding financing terms are conservative compared to other developments that have secured such financing.

HUD 221(d)(4) - Family: These developments would require an additional $1.6 to $2.5 million of equity from a third party equity investor. The 18% to 19% return on private investment in these scenarios is expected to attract investor interest. Debt providers, like private equity investors, have become more conservative with their funds, but a HUD insured loan would likely offset this potential problem. Overall, probability of securing these financing sources is anticipated to be moderate to high.

CLT/DPA: Beyond the funding from the City and AHFC for the development, it will be necessary for families to secure approximately $38 million of mortgages for the portion of the purchase price that is not financed with AHFC down payment assistance. Historically these mortgages have been challenging to arrange. There are a limited number of banks lending on properties where the land is owned by a Community Land Trust instead of the borrower and does not secure the bank's loan. Most banks have not had enough loan requests to provide the bank a scale that merits designing a loan product specifically for mortgages with a CLT component. Probability of securing financing for a CLT/DPA project is unknown, though partnering with a specific bank(s) for the entire project may ease the process. Another option is to partner with other entities engaged in creating CLTs to build a scale that may interest banks.

Parkland Dedication

Parkland dedicated in each of these scenarios depends entirely upon the number of units developed; no fee in lieu of parkland has been considered. A rental HUD 221(d)(4) family development provides the highest amount of parkland:

- 2.4 acres – rental family HUD 221(d)(4) with structured parking;
- 2.2 acres – homeownership family with structured parking;
- 2.1 acres – rental elderly 9% LIHTC with surface parking;
- 1.6 acres – rental family HUD 221(d)(4) with surface parking; and
- 1.6 acres – rental family 9% LIHTC with surface parking

Impact on the Community

Positive ramifications:

- Community services would be provided for any of the rental developments illustrated.
- Parkland will be dedicated at the site. The closest community park, Brentwood Park, is a 9 acre park including a multipurpose field, playground, swimming pool, volleyball court, tennis courts, basketball courts and picnic tables. With Brentwood Park over ½ mile from the site, the creation of more parkland and community amenities on the Lamar Blvd./Justin Ln. site would benefit the entire community.
- With one major exception, little new development has been done recently in the general vicinity. The exception, Midtown Commons, is a multi-use rental development adjacent to Crestview Station. It features one and two bedroom apartments, live/work units and office and retail space. A second new development in the area may generate more investment interest in the TOD district as a whole.
- Retail stores at Highland Village, at Airport Blvd. and Lamar Blvd., and other stores in the area may experience an economic boost or attract redevelopment interest with the increased population and traffic in the neighborhood.

- With no other low-income tax credit developments in the census tract, affordable units developed in the Lamar Blvd./Justin Ln. TOD would create housing opportunities that do not currently exist in the community.

Potential difficulties:

- There are two large multifamily developments within a block of the site. Midtown Commons is directly on the opposite side of the Metrorail from the site. There is also an older multifamily development just across Justin Ln. New leasing opportunities at the proposed development are likely to affect leasing demand at both of the other sites; a new development could reduce leasing demand in the other developments or absorb tenants they already serve. Conversely, the availability of units in the other developments could reduce demand for new units at a new development. A market study is recommended to clarify this issue.
- This site is within the boundaries of both the Crestview and Brentwood Neighborhood Associations. At least one association has communicated severe resistance to entry to and exit from the site from Ryan Dr.; entry and exit to a new development would be necessary along Justin Ln. on the southern tip of the tract. Though Justin Ln. is not a high traffic street, a left turn when exiting the development could be problematic.
- Neighborhood associations' support of affordable housing on the site is uncertain.

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Conclusions

This illustrative analysis was conducted to allow NHCD to evaluate and compare possible mixed-income, affordable housing opportunities on City-owned land within the Plaza Saltillo and Lamar Blvd./Justin Ln. TODs. The issues to be considered were:

- Rental and homeownership opportunities;
- Number of affordable units;
- Levels of affordability;
- Necessary investment by the City and AHFC;
- Return of investment to the City and AHFC;
- Probability of securing the additional financial sources required for development;
- Parkland dedication; and
- Ramifications for the community, both positive benefits and drawbacks.

Additional information was provided to further evaluate the merits of the development opportunities presented.

It is difficult to determine which type of development presents the "best" opportunity to provide affordable housing because it depends heavily on how the City prioritizes its goals. For example, the housing development that provides the most units at the deepest levels of affordability at the Lamar Blvd./Justin Ln. TOD site is the elderly development, but which client does the City wish to serve in that particular market - elderly or family? If the City prefers a homeownership development rather than rental, does it make the best use of limited City funds when a homeownership development would require a total of $5.7 million of AHFC subsidy at the Plaza Saltillo TOD site when there is no possibility of having that capital return to support future affordable housing development? While rental developments with surface parking require the lowest investment by AHFC, is a surface parking lot the best use of roughly 1½ acres of land in a TOD? Further community discussion may clarify these priorities.

Funding sources also heavily impact development decisions. They affect, among others, the amount of funding necessary from AHFC, the income levels that can be served and how much density can be achieved as it is tied primarily to massing units with structured parking. In many scenarios, reaching more or deeper affordability is possible but will create a significantly increased need for AHFC funding.

There are also market issues that have not been fully explored yet. For example in the area surrounding the site at Ryan Dr. there are currently many single family properties for sale that are both larger than the condominium units would be and for sale at a lower price/square foot. These properties would also have no HOA fees, which can limit buying power by over $30,000 for a family of four. The immediate proximity of two other large rental developments in the Lamar Blvd./Justin Ln. TOD also brings up the question of how much rental housing the market will support. A market study is recommended to clarify these issues.

No matter what housing development decisions the City may make, the amount of investment required to support affordable housing, the focus of this analysis, is only a fraction of the total City investment that would be necessary to develop these sites. Using the example of an elderly 9% LIHTC development at Plaza Saltillo, AHFC's contribution of $2.0 million represents only 13% of the $15 million necessary to develop the site. The vast majority of the expenditures required to develop housing at either site are due to the high cost of relocating existing City services. In the example just referenced in Plaza Saltillo, relocation represents almost 80% of total City costs. This raises the question of whether or not it may be more financial advantageous for the City to buy other sites on which to develop affordable housing rather than relocate services on existing City-owned land. An even less expensive option is to continue to support privately developed affordable housing through AHFC investments, which appears to require significantly less City funding. Analysis of departmental budgeting funding sources for City investment needs to occur to clarify the full ramifications of committing to these TOD catalyst projects.

In order to assist the City in evaluating its opportunities at these two sites, a summary of each of the illustrative scenarios is provided below.

Plaza Saltillo TOD

Goals of Developments

Financing	9% LIHTC Elderly	4% LIHTC Family	HUD 221(d)(4) Family		Homeowner CLT/DPA
Parking	**Structured**	**Surface**	**Surface**	**Structured**	**Structured**
Highest number of units at 30-50% affordability	√				
Highest percentage of units at 30-50% affordability	√				
Lowest AHFC investment	√		√		
Lowest investment per 30-50% MFI unit	√				
Highest return of investment to AHFC	√				
Density				√	

The following summary may ease comparison of the variables discussed in this report and illustrate how close other developments may be to those goals highlighted above.

Comparison of Developments

Variable	**9% LIHTC Elderly**	**4% LIHTC Family**	**HUD 221(d)(4) Family**		**CLT/DPA Ownership**
Parking	Structured	Surface	Surface	Structured	Structured
Rental/Ownership	Rental	Rental	Rental	Rental	Ownership
Client Served	Elderly	Family	Family	Family	Family
# of Units – Total	252	186	186	270	250
# of Units at 30-50% MFI	127	56	65	68	0
% of Units at 30-50% MFI	50%	30%	35%	25%	0%
% of Units Income Restricted	90%	90%	80%	70%	100%
AHFC Investment ($MM)	$2.0	$3.1	$2.0	$3.1	$5.7
AHFC Investment/Unit ($K)	$8	$17	$11	$11	$23
AHFC Investment/30-50% Unit ($K)	$16	$55	$31	$46	NA
AHFC IRR	16.6%	12.2%	12.7%	11.8%	NA
Density (units/acre)	51	38	38	55	51
Parkland (acres)	2.1	1.6	1.6	2.3	2.1

Lamar Blvd./Justin Ln. TOD

Goals of Developments

Financing	9% LIHTC Elderly	4% LIHTC Family	HUD 221(d)(4) Family		Homeowner CLT/DPA
Parking	**Structured**	**Surface**	**Surface**	**Structured**	**Structured**
Highest number of units at 30-60% affordability	√				
Highest percentage of units at 30-60% affordability	√	√			
Lowest AHFC investment		√	√		
Lowest investment per 30-60% MFI unit	√	√			
Highest return of investment to AHFC				√	
Density				√	

Comparison of Developments

Variable	9% LIHTC Elderly	9% LIHTC Family	HUD 221(d)(4) Family		CLT/DPA Ownership
Parking	Structured	Surface	Surface	Structured	Structured
Rental/Ownership	Rental	Rental	Rental	Rental	Ownership
Client Served	Elderly	Family	Family	Family	Family
# of Units – Total	252	192	192	280	260
# of Units at 30-60% MFI	200	154	86	70	0
% of Units at 30-60% MFI	79%	80%	45%	25%	0%
% of Units Income Restricted	90%	90%	70%	65%	100%
AHFC Investment ($MM)	$4.5	$3.4	$3.4	$3.9	$5.0
AHFC Investment/Unit ($K)	$18	$18	$18	$14	$19
AHFC Investment/30-60% Unit ($K)	$22	$22	$40	$55	NA
AHFC IRR	4.8%	5.1%	5.6%	8.5%	NA
Density (units/acre)	50	38	38	55	51
Parkland (acres)	2.1	1.6	1.6	2.4	2.2

Special Thanks

There are many City employees beyond those at NHCD who have provided assistance in clarifying the issues explored or helped quantify development costs. Without exception, they were a pleasure to work with, providing friendly, timely and detailed information. Special thanks are due to the following individuals in particular for their notable assistance.

Dennis Crabill	Public Works Dept.
Darryl Haba	Public Works Dept.
Colleen Kirk	Austin Water Utility Dept.
Rose SanMiguel	Austin Energy
Molly Scarbrough	Planning & Development Review Dept.

Thanks are also due to an individual who does not work for the City. Ginny Stapleton at The Stapleton Company (real estate) provided data and analyses of historical condominium sales in the two markets that was essential to creating the illustrative homeownership scenarios.